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Improving the financial situation of the United Nations

Capital Master Plan

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General entitled "Capital master plan" (A/55/117). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarifications.

2. **The Advisory Committee welcomes the report of the Secretary-General on the capital master plan and his efforts to bring the matter to the attention of Member States.** The Committee points out that it has commented extensively in the past on the need for proper maintenance of United Nations assets. For example, the Advisory Committee's comments on this matter were reflected most recently in paragraph 23 of its first report (A/55/7).

3. According to the Secretary-General, the structures of the United Nations Headquarters complex in New York, which were largely built during the period 1949-1952, are ageing and now require major repair and refurbishing; they are extremely energy-inefficient and no longer conform to current safety, fire and building codes and the complex is deficient in terms of meeting modern-day security requirements. The Secretary-General's report (A/55/117) reviews the current condition of the buildings, the implications of action and inaction, as well as various financing options and presents a proposed course of action.

4. In paragraphs 6 to 10 of his report (A/55/117), the Secretary-General discusses the options through which the serious deficiencies of the Headquarters buildings could be addressed; these options include: a reactive approach under which the repair work would be performed over the next 25 years as and when building and system failures occurred; a planned and managed renovation programme of a three-year, six-year or 12-year duration; and complete demolition and reconstruction of the Headquarters buildings. The Secretary-General's conclusion is that the most practical and desirable approach is the six-year option, at an estimated cost of $964 million, under which 33 per cent of the Headquarters facility would be under

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construction at the same time and would require the availability of swing space at an estimated cost of between $62 and $91 million; moreover, this option would result in substantial energy cost savings of some $164 million over the 25-year period in comparison with the reactive approach.

5. Upon enquiry, the Advisory Committee was informed that no independent analysis had been undertaken to ensure the reliability of the cost estimates of $964 million for the proposed six-year capital master plan. These estimates are based, as indicated in footnote 13 to paragraph 69 of the report (A/55/117), on certain assumptions, including "a 1 January 2003 construction commencement date, escalation of construction project costs at 3.5 per cent per annum during each construction year, a design and planning phase contingency of 20 per cent of the construction project cost, professional costs (e.g. architectural, engineering, quality control, project management) of 20 per cent of the construction project cost and a standard construction industry contingency of 5 per cent of construction project cost to cover unanticipated work discovered during actual construction". **In the absence of specific details, the Committee was unable to ascertain that these assumptions are a fair basis on which to assure that the Organization is protected against cost overruns and it requests, therefore, that the Secretary-General work out the required measures and describe them in his next report on the capital master plan.**

6. The Advisory Committee notes that one of the assumptions for the capital master plan is that the Headquarters complex should be energy-efficient, free of hazardous materials and compliant with host city building, fire and safety codes, and should provide full accessibility to all persons (A/55/117, para. 2 (b)). **The Committee expects that there will be close coordination with local authorities with regard to health and safety requirements at all stages of the capital master plan.**

7. The Advisory Committee notes from paragraphs 44 to 50 of the report that the capital master plan provides not only for the comprehensive programme of refurbishing the Headquarters buildings but also for certain improvements to the Headquarters facilities and the addition of more meeting spaces, consolidation of technological support spaces and the enhancement of public areas. **In this connection, the Committee cautions against presenting plans for improvements and expansions that would be unrealistic or overly ambitious.**

8. The Advisory Committee points out that at this stage it is necessary only to confirm the Secretary-General's statement that a need exists to address the problems outlined with regard to the Headquarters complex. The next step is to prepare a comprehensive design scheme, together with detailed cost estimates. The Secretary-General indicates that to do so would cost approximately $8 million. **The Advisory Committee, consistent with the procedure it initially set out in document A/36/643, recommends that the Secretary-General be authorized to proceed with the preparation of this comprehensive design plan and cost analysis and that an additional $8 million be appropriated under section 31 of the programme budget for the biennium 2000-2001.**

9. The Advisory Committee notes that the Secretary-General intends to submit a separate report on a related proposal to expand the United Nations visitors' area beyond the existing buildings funded through private donations. **The Committee will submit its comments and recommendations on this matter, as appropriate.**

10. In paragraphs 13 to 17 of his report (A/55/117), the Secretary-General reviews the possible ways of financing a six-year capital master plan, including progressive cash payments, deferred payments through interest-free loans and/or outside commercial borrowing, and voluntary contributions, in cash or in kind, from public and private sources. The Advisory Committee notes from paragraph 18 of the report that the Secretary-General intends to establish a five-member expert financial advisory group composed of financial experts and eminent persons to provide the detailed and comprehensive advice on the financing options.

11. The Advisory Committee recalls the very prominent role that the host Government, the City and the State of New York and private donors had played for the successful development of the United Nations Headquarters complex in New York. As stated in paragraph 21 of the report, "an interest-free loan of $65 million (equivalent to $449.2 million in year 2000 dollars) was provided in 1948 by the host Government for the construction and furnishing of the Headquarters buildings. By its resolution 242 (III) of 18 November 1948, the General Assembly approved the loan and the repayment schedule. The loan was repaid in full over a 31-year period, beginning in 1951 and ending in 1982." The Advisory Committee was informed that negotiations were being conducted with the host Government, the local and state authorities on their participation in the financing of the capital master plan. The Committee requested information on the participation of host Governments and local authorities in maintaining the United Nations assets in their respective countries. However, since the information was not provided on time, the Advisory Committee requests that it should be provided to the Fifth Committee. **The General Assembly may wish to encourage the active participation of the host Government, as well as state and local authorities in the current project of comprehensive renovation of the United Nations Headquarters complex in New York, including the funding of the project.**